

Minerals Management Service
Small Refiner Crude Oil Sale
IFO No. 1435-02-05-RP-25850
Summary of Amendments

January 13, 2005

- The main IFO document and Exhibits A, B, and C have been revised.
 - IFO
 - Page 1 of the IFO: Fourth paragraph under “Offers” was added regarding packages 29 and 31.
 - Page 3 of the IFO: First paragraph under “Quality – Gulf of Mexico Packages” was amended regarding package 28
 - Exhibit A:
 - The Custody Transfer Point for packages 29 and 31 is now at Empire.
 - Package 45 allows for offer on EW 1006 barrels separate from the EW 873 barrels.
 - Exhibit B:
 - The Custody Transfer Point for packages 29 and 31 is now at Empire.
 - Package 45 split into two sub packages to reflect the separating of the EW 873 and EW 1006 volumes.
 - Exhibit C:
 - Package 45b shows buy-sell for EW 1006.
 - Package 47 added note to reflect separate buy-sell needed for Manta Ray Gathering System.



OMB Control Number 1010-0126
Expiration Date: June 30, 2006

INVITATION FOR OFFER – SMALL REFINER RIK CRUDE OIL SALE
IFO No. 1435-02-05-RP-25850
Deliveries beginning April 1, 2005

Introduction

The Minerals Management Service (MMS) of the U.S. Department of the Interior is soliciting offers from pre-qualified small refiners to purchase royalty oil and condensate produced from certain Federal leases in the Gulf of Mexico and the Pacific Outer Continental Shelf.

This Invitation for Offer (IFO) solicits offers for a 6-month term beginning April 1, 2005. Successful offerors will take custody of the royalty oil at the applicable custody transfer point as shown in Exhibit A and will be responsible for moving the royalty oil downstream of this point.

Offers must be made in writing and submitted to Crystel Edler via facsimile (303-231-3846) or email (crystel.edler@mms.gov) by 2:00 p.m. Mountain Time on January 24, 2005. MMS will confirm receipt of all offers. Royalty oil packages will be awarded by 2:00 p.m. Mountain Time on **January 28, 2005**. Address technical questions to Crystel Edler at 303-231-3126; contracting questions to Maggie Miller at 303-231-3932; and credit and pre-qualification questions to Larry Cobb at 303-231-3307.

Offers

Offerors must be pre-qualified to submit offers. Please see the "Pre-qualification and Credit Requirements" section for more information. MMS reserves the right to reject any offer received.

Exhibit A identifies 50 packages of royalty oil. Exhibit B provides further detail on Facility Measurement Point (FMP) operators, pipelines, and custody transfer points. Data in the exhibits is not warranted and offerors are expected to contact the appropriate parties for the most recent information. The royalty volume shown for each custody transfer point represents the most recent production data available for the properties behind the custody transfer point. The royalty volumes may vary as production resumes in the aftermath of Hurricane Ivan. Other pertinent information such as leases/agreements, operators, and royalty rates will be provided in an attachment to the "MMS Crude Oil Transaction Confirmation" when the sales packages are awarded.

Exhibit A is the offer sheet to be completed and faxed or emailed. Offers must be made to the nearest \$0.0001. MMS prefers to transact no more than one award for each package. However, consideration may be given to offers on only part of a royalty oil package if favorable to the Government.

Offers on packages 29 and 31 must be at Empire.

Packages 40-47 have two possible custody transfer points and offers may be made for either or both in the appropriate columns of Exhibit A.

Package 48 consists of 8 sub-packages and offers on any or all volumes are acceptable. However, all volumes must be awarded or the entire package will be re-offered as explained below.

Packages in this IFO for which all offers are rejected will be included in another MMS RIK crude oil IFO, Unrestricted Crude Oil Sale (No. 1435-02-05-RP-25851), open to both eligible, pre-qualified small refiners and other pre-qualified companies. Please see the RIK Home Page for details regarding this related IFO at <http://www.mrm.mms.gov/RIKweb/default.htm>.

The offer should represent the offeror's view of the difference in value between the applicable Gulf Coast or Pacific market center and the custody transfer point identified in Exhibit A. Please see the "Quality" section for more information on how to account for gravity and sulfur in your offer.

Royalty oil from new wells on currently producing properties behind the custody transfer points that commence production during the term of this IFO will be automatically added to the volumes awarded under this IFO. Royalty oil from new properties behind the custody transfer points that commence production during the term of this IFO will be added to the volumes awarded under this IFO on a case-by-case basis pursuant to mutual consent of MMS and successful offerors.

Gulf of Mexico Pricing Mechanism (Packages 1-47): Offerors must submit offers as an increment or decrement from one or both of the following pricing formulas:

1. $(\text{Koch WTI Posting} + \text{Platts P}^+) - (\text{Platts WTI} - \text{Platts Crude Type})$
2. $(\text{Calendar NYMEX} + \text{Daily Roll}) - (\text{Platts WTI} - \text{Platts Crude Type})$

Pacific Pricing Mechanism:

Santa Ynez Crude (Package 48): Offerors must submit offers as an increment or decrement from one or both of the following pricing formulas:

1. The arithmetic average of two sets of California posted prices, $(a+b)/2$, where:
 - a) The calendar month's average of the following Midway Sunset posted prices at 13° API: ChevronTexaco, ExxonMobil, Shell Trading, and Union 76
 - b) The calendar month's average of the following Buena Vista posted prices at 26° API: ChevronTexaco, ExxonMobil, Shell Trading, and Union 76
2. The calendar month average New York Mercantile Exchange (NYMEX) price at 40° API (see below for definition of calendar NYMEX)

Dos Cuadras Crude (Package 49) and Platform Gail Crude (Package 50): Offerors must submit offers as an increment or decrement from one or both of the following pricing formulas:

1. The calendar month's average of the following Buena Vista posted prices at 26° API: ExxonMobil, Shell Trading, and Union 76
2. The calendar month NYMEX price at 40° API (see below for definition of calendar NYMEX)

Where: Koch WTI Posting: Koch Supply and Trading's posting for West Texas/New Mexico Intermediate (WTI), deemed 40° API, for the Physical Month of Delivery

Platts P⁺: Arithmetic average of the daily high and low price quotes for "P-Plus WTI" for the Platts Month of Delivery

Platts WTI: The arithmetic average of the daily high and low price quotes for WTI for the Platts Month of Delivery

Platts Crude Type: The arithmetic average of the daily high and low price quotes for the crude type that is the subject of the offer for the Platts Month of Delivery

Calendar NYMEX: Arithmetic average of the daily settlement price for the "Light Sweet Crude Oil" front month futures contract reported by the New York Mercantile Exchange (NYMEX) during the Physical Month of Delivery (excluding weekends and holidays)

Platts Month of Delivery: Refers to quotes in Platts Oilgram Price Report for the period of time from the twenty-sixth day of the month two months prior to the physical month of delivery through the twenty-fifth day of the month one month prior to the Physical Month of Delivery (excluding weekends and holidays)

Physical Month of Delivery: The calendar month when the crude oil is delivered

Daily Roll: $(X - Y).6667 + (X - Z).3333$, where:

X = Average of the daily NYMEX settlement price for the prompt month, trading days only, when the Physical Month of Delivery is the prompt month trading on NYMEX

Y = Average of the daily NYMEX settlement price for the second month during the same period, trading days only

Z = Average of the daily NYMEX settlement price for the third month during the same period, trading days only

MMS may award a contract on the basis of initial offer(s) received without discussions. Accordingly, each initial offer should be submitted on the most favorable terms that the offeror can submit. However, MMS may negotiate with offerors in the event offers of similar or unanticipated values are received. All information about the origin and value of offers received will remain confidential, except as noted below under "Imbalances" with respect to resolving extraordinary imbalances.

The MMS shall award a contract resulting from this IFO to the party whose offer, in MMS' judgment, is most advantageous to the Federal Government. MMS will award to successful offerors by means of the "MMS Crude Oil Transaction Confirmation." MMS will attempt to award 100 percent of the volume from a custody transfer point.

Term

Delivery of royalty oil will begin on April 1, 2005, and end on September 30, 2005. This Contract shall be effective and shall continue in full force and effect for a term of six (6) months beginning April 1, 2005 ("Initial Term") and shall automatically be renewed for additional renewal terms of one month each ("Renewal Term") unless either Party provides the other Party with notice of non-renewal at least ninety (90) days prior to the expiration of the Initial Term or any Renewal Term. This Contract shall terminate at the expiration of the Initial Term or any Renewal Term upon either Party providing written notice of non-renewal to the other Party as provided herein.

Quality

Gulf of Mexico Packages:

For crude type **HLS-SB**, packages 12-18 and crude type **HLS** package 28, offerors will pass back only the first receipt bank at the custody transfer point and therefore this quality bank should not be included in your offer. All other quality banks downstream of the receipt point should be included in your offer.

For **all other crude types**, offerors will pass back to MMS all quality bank(s) debits/credits received from the quality bank administrator(s). Market center custody transfer point quality banks will not be included.

Note: For **HLS** packages 19-27, where the STUSCO invoices do not reflect the quality bank adjustment, the successful offeror will adjust the payment each month for gravity. This adjustment will be based on the difference between the FMP run ticket and the common stream delivered gravity at Empire, using the standard Gravcap calculation.

Pacific Packages:

Adjustments for sulfur content are to be included in your offer(s). Buyers will make appropriate quality adjustments to their payment each month to match the actual gravity of the delivered royalty oil by using Shell Trading's California posted price gravity adjustment table applicable to the month of production. If this table changes mid-month, the monthly average of the table will be used. This adjustment table applies to all of the allowed offering methods, specifically:

Santa Ynez Crude:

Buyers using pricing formula 1 will adjust their payment by accounting for the difference between the delivered royalty oil and 19.5° API (the average of Midway Sunset's 13° posted gravity and Buena Vista's 26° posted gravity).

Buyers using pricing formula 2 will adjust their payment by accounting for the difference between the delivered royalty oil and 40° API (NYMEX WTI barrel gravity).

Dos Cuadras Crude and Platform Gail Crude:

Buyers using pricing formula 1 will adjust their payment by accounting for the difference between the delivered royalty oil and 26° API (the posted gravity of Buena Vista crude).

Buyers using pricing formula 2 will adjust their payment by accounting for the difference between the delivered royalty oil and 40° API (NYMEX WTI barrel gravity).

Successful offerors must pay quality bank credits due to MMS by the 20th of the month after receipt. MMS will pay invoices from successful offerors for all quality bank debits received from the quality bank administrator within 30 days of receipt of the invoice. All quality bank data must be accompanied by supporting documentation.

The gravity and sulfur information in the Exhibits represents MMS' most recent data for the custody transfer points in the packages offered. Actual gravity and sulfur during the term of this sale may vary. Data provided by MMS is based on the best information available at the time of IFO publishing and is not warranted.

Transporting and Scheduling Royalty Oil

Successful offerors are responsible for transporting all royalty oil volumes downstream of the custody transfer point specified in Exhibit A. Successful offerors must nominate and schedule all volumes awarded through this IFO separately from all other volumes owned or controlled at the custody transfer point where royalty oil is received. When nominating to the pipeline, you are required to indicate that the nomination is for MMS sourced crude oil.

Exhibit C identifies transportation rates and terms for a Buy/Sell agreement that MMS has negotiated with Poseidon Pipeline. Successful offerors, at their discretion, may be designated as MMS' agents under this Buy/Sell agreement for packages associated with this pipeline. Offerors must indicate on Exhibit A whether they elect to use the MMS negotiated Buy/Sell rates.

Within 10 days of execution of the "MMS Crude Oil Transaction Confirmation" relative to this IFO, the successful offerors must request in writing to all pipeline companies that will move royalty oil, that MMS royalty volumes be itemized separately from non-MMS volumes. In cases where the pipeline companies are unable to break out the MMS volumes on the pipeline statement, you must provide MMS with acceptable third-party data that breaks out the MMS volumes delivered or use a measurement facilitator designated by the pipeline. Any charges associated with obtaining this third-party data will be the responsibility of the successful offeror.

Successful offerors will provide MMS with pipeline statements and any third-party documentation within 2 days after the documents are made available to the shipper. Documentation not received by the due date may be purchased by MMS and the successful offeror will be billed the associated costs.

Successful offerors, through customary industry practice, will communicate directly with MMS and the FMP operators and will make arrangements to deliver and transfer the royalty oil from the awarded custody transfer points. Successful offerors, at their expense, will make all necessary arrangements to receive royalty oil at the custody transfer point. Successful offerors are not responsible for any transportation costs upstream of the custody transfer point.

No later than 5 calendar days before the first day of each month, the MMS will notify successful offerors of the daily royalty oil volumes anticipated for the following month of production. Successful offerors understand that any such estimates are not warranties of actual deliveries to be made but are provided to facilitate planning the delivery of royalty oil. This process will continue for each month of the term of this IFO.

The operators of the properties behind the custody transfer points offered in this IFO are instructed to use reasonable efforts, consistent with industry practice, to inform MMS and/or successful offerors regarding significant changes in royalty oil production levels and production shut-ins.

The successful offeror's contract may be amended upon mutual consent between MMS and its successful offeror when there is an increase or decrease in tariff-based transportation costs related to the awarded

properties. Contract amendments will not be granted for rate changes in the offeror's buy/sell arrangements, unless extraordinary circumstances exist.

Imbalances

Successful offerors are granted the rights to royalty oil delivered by operators at the custody transfer points indicated in Exhibit A, not the actual entitlement due the Federal Government.

MMS and the operator will jointly monitor imbalances between deliveries and entitlements. Routine imbalances will be resolved by adjusting the volume of royalty oil delivered to successful offerors in the second month following the month of delivery unless otherwise approved by MMS. These adjustments will be communicated by MMS to the successful offeror regarding the first of month availability of royalty oil.

Property imbalances not remedied within 90 days of the production month will be resolved by mutual agreement between MMS and the operator. The contract price under this IFO may form the basis of resolving certain extraordinary imbalances between MMS and operators. The rights and responsibilities of operators under RIK oil situations are outlined in MMS' Sample "Dear Operator" letter included as Exhibit D.

MMS is not responsible for pipeline imbalances associated with royalty crude oil.

Confidentiality

Neither MMS or the successful offeror shall disclose directly or indirectly, without the prior written consent of the other party, the terms of any transaction under this IFO to a third-party (other than the employees, lenders, royalty owners, counsel, accountants and other agents of the party, or prospective purchasers of all or substantially all of a party's assets or of any rights under this Contract, provided such persons shall have agreed to keep such terms confidential) except; (i) to comply with any applicable law, order, regulation, or exchange rule, (ii) to the extent necessary to enforce this Contract, (iii) to the extent necessary to implement any transaction, including any transaction as described above in the section "Transporting and Scheduling Royalty Oil", or (iv) to the extent such information is delivered to such third-party for the sole purpose of calculating a published index.

Each party shall notify the other party of any proceeding of which it is aware which may result in disclosing the terms of any transaction (other than as permitted above) and use reasonable efforts to prevent or limit the disclosure. The existence of this Contract is not subject to this confidentiality obligation. The terms of any transaction hereunder shall be kept confidential by the parties hereto for one year from the expiration of the transaction.

Pre-qualification and Credit Requirements

Offerors are required to pre-qualify by signing the MMS base contract "RIK Crude Oil General Terms and Conditions" and providing detailed financial information. Pre-qualification information can be found on our web site at <http://www.mrm.mms.gov/RIKweb/Oilprequal.htm>. By submitting an offer, the offeror agrees to be bound by the terms of its signed MMS base contract and this IFO.

Upon pre-qualification, MMS will issue an amount of unsecured credit based on the creditworthiness of the offeror. In most cases, where offerors have submitted their most current financial documentation, or such information is available on Edgar Online, no additional information will be required. However, MMS reserves the right to request updated financial information in any situation it deems as reasonable and may reissue approved lines of credit. Please be advised that MMS will require a parent guaranty in situations where the company submitting the offer is a different entity than the company that has pre-qualified.

For awards exceeding the amount of unsecured credit issued by MMS, successful offerors will be required to provide secured financial assurance in the form of an Irrevocable Letter of Credit (ILOC), Bond, or other MMS-acceptable surety instrument within five business days prior to first delivering oil under the contract. If additional security is required, successful offerors will be notified, and such notice will be included in the sales transaction confirmation.

The ILOC, Bond, or other MMS-acceptable surety instrument must be effective for a period beginning on the date of first delivery under the contract and ending when receipt of final delivery or payment under the contract

is verified. Failure to provide adequate financial assurance when requested may result in a loss of award, unless the MMS Contracting Officer extends the date.

See our website at <http://www.mrm.mms.gov/ReportingServices/PDFDocs/4071.pdf> for a sample of the ILOC, MMS Form-4071. For Bonds, go to <http://www.mrm.mms.gov/ReportingServices/PDFDocs/4072.pdf> for MMS Form-4072. The financial institution issuing the ILOC or surety company issuing the Bond must meet MMS requirements under 30 CFR Part 208.11.

The financial assurance amount shall be sufficient to cover the value of 60 days of deliveries of the estimated production of all royalty oil awarded, less the amount of unsecured credit issued by the MMS as previously notified. For new surety instruments, the value of the financial assurance should be calculated using the selected pricing mechanism plus the awarded offer amount applied to the February 2005 production month. This value must be multiplied by the daily royalty production (estimated in Exhibit A), multiplied by 60 days, and then reduced by the amount of unsecured credit issued by MMS. For continuing surety instruments, we will notify you regarding renewal. The amount of unsecured credit available for this sale is contingent upon the successful offeror's current participation in other RIK sales or exchange programs.

Significant and sustained increases in the value of crude oil during the term of the contract may result in requiring an increase in the amount of financial assurance. Further, should the creditworthiness, financial responsibility, or ability to perform become unsatisfactory to the MMS at any time during the term of this agreement, satisfactory assurances may be required as a condition to further performance under the agreement. Such assurances include, but are not limited to, a prepayment or a surety instrument in a form and amount satisfactory to MMS. Failure to provide additional performance assurances when requested may result in early termination of the contract. Where applicable, an investment-grade rating by Standard and Poor's is required by MMS to maintain creditworthiness.

Governing Contract

This transaction is governed by the MMS base contract "RIK Crude Oil General Terms and Conditions," signed by the offeror and MMS. Conflicts between the MMS base contract and the terms of this IFO will be resolved in favor of this IFO. Only companies who have pre-qualified and signed the MMS base contract may receive a contract.

Paperwork Reduction Act of 1995 (PRA) Statement:

The PRA (44 U.S.C. 3501 et seq.) requires us to inform you that we collect this information to document fulfillment of royalty obligations on minerals removed from Federal lands. The MMS uses the information to maintain and audit lease accounts. Responses are voluntary (43 U.S.C. 1334). Proprietary information is protected in accordance with standards established by the Federal Oil and Gas Royalty Management Act of 1982 (30 U.S.C. 1733), the Freedom of Information Act (5 U.S.C. 552(1), (4)), and the Department regulations (43 CFR 2). An agency may not conduct or sponsor, and a person is not required to respond to, a collection of information unless it displays a currently valid OMB Control Number. Public reporting burden for this form is estimated to average 1 hour per response, including the time for reviewing instructions, gathering and maintaining data, and completing and reviewing the form. Direct comments regarding the burden estimate or any other aspect of this form to the Information Collection Clearance Officer, Minerals Management Service, Mail Stop 4230, 1849 C Street, NW., Washington, DC 20240.

4 Exhibits:

Exhibit A – Offer Sheet

Exhibit B – RIK Custody Transfer Point Detail

Exhibit C – Poseidon Pipeline Buy/Sell Rates

Exhibit D – Sample Dear Operator Letter

Offer Pkg	Royalty Oil Type	Gulf Coast Market Center	Custody Transfer Point	Custody Transfer Point Royalty Volume (bbls/day)	Gravity	Sulfur %	Koch WTI + Platts P+ basis (offshore delivery point)	NYMEX + Daily Roll basis (offshore delivery point)	Koch WTI + Platts P+ basis (delivery at Market Center)	NYMEX + Daily Roll basis (delivery at Market Center)	Accept MMS' Buy/Sell (Yes or No)
1	Mars	Clovelly	EW 910 A	140	31.3	0.91					
2	Mars	Clovelly	GC 205 A	2,970	31.2	1.31					
3a	LLS	St. James	SS 146 ssti (SS 149 A)	20	32.5	0.27					
3b	LLS	St. James	SS 146 ssti (SS 154 E)	550	30.2	0.35					
4a	LLS	St. James	SS 169 ssti (SS182 C-B)	530	30.0	0.31					
4b	LLS	St. James	SS 169 ssti (SS182 C-X)	240	29.5	0.31					
5	LLS	St. James	SS 208 F	560	34.1	0.45					
6	LLS	St. James	SS 207 A	520	32.5	0.40					
7	LLS	St. James	SS 266 A	270	37.3	0.44					
8	LLS	St. James	ST 300 ssti	170	38.9	0.50					
9	LLS	St. James	ST 300 A	1,300	41.9	0.29					
10a	LLS	St. James	SM 268 A	690	36.7	0.08					
10b	LLS	St. James	SM 268 A	150	39.8	0.11					
11	LLS	St. James	SS 129 A	140	38.1	0.15					
12	HLS-SB	N/A	EC 321 A	290	32.4	1.21					
13	HLS-SB	N/A	EC 332 A	150	40.7	0.32					
14	HLS-SB	N/A	EC 338 A	190	40.8	0.49					
15a	HLS-SB	N/A	EC 272 C	60	28.3	0.50					
15b	HLS-SB	N/A	EC 272 D	70	27.8	0.50					
16a	HLS-SB	N/A	SM 40 ssti (SM 39 A)	120	35.6	0.14					
16b	HLS-SB	N/A	SM 40 ssti (SM 27 A)	180	39.0	0.08					
16c	HLS-SB	N/A	SM 40 ssti (SM 40 JA)	780	36.1	0.15					
17	HLS-SB	N/A	SM 69 B	800	34.7	0.27					
18	HLS-SB	N/A	VR 250 C	100	33.9	0.16					
19	HLS	Empire	VK 786 A	5,100	30.7	N/A					
20	HLS	Empire	MP 310 A	670	33.1	N/A					
21	HLS	Empire	MP 259 A	290	39.6	N/A					
22	HLS	Empire	MP 296 B	235	24.8	N/A					
23	HLS	Empire	MP 296 C	130	22.5	N/A					
24	HLS	Empire	MP 283 A	650	43.5	N/A					
25	#REF!	Empire	MP 289 C (VK 956 A)	1,500	39.5	N/A					
26a	HLS	Empire	MP 289 I (MP 252 B)	180	50.0	N/A					
26b	HLS	Empire	MP 289 I (MP 288 A)	425	28.5	N/A					
26c	HLS	Empire	MP 289 C (MP 289 C)	250	25.9	N/A					
27a	HLS	Empire	MP 72 (MP 61 A)	1,650	29.5	N/A					
27b	HLS	Empire	MP 72 (MP 61 B)	1,860	30.7	N/A					
28	HLS	Empire	Grand Isle EM Terminal	3,200	31.0	N/A					
29	HLS	Empire	Empire (from ST 52 C)	605	37.4	N/A					
30	HLS	Empire	ST 26 A	705	34.1	N/A					
31	HLS	Empire	Empire (from ST 37 J)	2,730	33.9	N/A					
32	HLS	Empire	ST 72 B	140	33.5	N/A					
33	HLS	Empire	ST 130 AUX	270	35.0	N/A					
34	HLS	Empire	SS 69 A	105	36.7	N/A					
35	HLS	Empire	ST 52 A	155	32.4	N/A					
36	EI	St. James	PL 13 ssti	320	36.4	0.19					
37	EI	St. James	ST 11 ssti	80	39.2	0.10					
38	Bonito	St. James	GB 426 A	4,860	32.7	1.24					
39	Bonito	St. James	SM 205 ssti	350	34.4	unknown					
40	Poseidon	Houma	EW 827ssti or Houma	1,600	26.5	2.19					
41	Poseidon	Houma	EI 346 A or Houma	320	31.1	1.24					
42	Poseidon	Houma	SS 359 ssti or Houma	200	54.5	unknown					
43	Poseidon	Houma	GB 260 A or Houma	1,430	32.1	1.14					
44	Poseidon	Houma	SS 349 A or Houma	270	24.2	1.91					
45a	Poseidon	Houma	EW 873 A or Houma	2,900	22.4	2.96					
45b	Poseidon	Houma	EW 873 A (EW 1006) or Houma	90	22.4	2.96					
46	Poseidon	Houma	GC 254 A or Houma	1,960	31.6	1.17					
47	Poseidon	Houma	ST 316 A or Houma	2,450	35.5	0.47					

Offer Pkg	Royalty Oil Type	Market Center	Custody Transfer Point	Custody Transfer Point Royalty Volume (bbls/day)	Gravity	Sulfur %	Avg. of BV/MS Postings	NYMEX Calendar Month Basis
48	Santa Ynez	Los Angeles	Las Flores Canyon	1,000	19.3	4.80		
48	Santa Ynez	Los Angeles	Las Flores Canyon	1,000	19.3	4.80		
48	Santa Ynez	Los Angeles	Las Flores Canyon	1,000	19.3	4.80		
48	Santa Ynez	Los Angeles	Las Flores Canyon	1,000	19.3	4.80		
48	Santa Ynez	Los Angeles	Las Flores Canyon	1,000	19.3	4.80		
48	Santa Ynez	Los Angeles	Las Flores Canyon	1,000	19.3	4.80		
48	Santa Ynez	Los Angeles	Las Flores Canyon	600	19.3	4.80		
							Avg. of BV Postings	NYMEX Calendar Month Basis
49	Dos Cuadras	Los Angeles	Rincon Plant-Tailgate	800	24.5	1.10		
50	Santa Clara - Platform Gail	Los Angeles	Platform Grace	720	17.8	4.38		

 Your Name

 Phone No.

 Company Name

 Fax No.

MMS Contacts

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 Fax No.: 303-231-3846

Offer Pkg	Royalty Oil Type	Gulf Coast Market Center	Custody Transfer Point	Royalty Volume Metered at	MMS FMP No.	Common Industry Name	FMP Operator	Custody Transfer Point Royalty Volume (bbls/day)	Gravity (Note 1)	Sulfur % (Note 1)	Pipelines	Common Carrier(s)	Buy/Sell
1	Mars	Clovelly	EW 910 A	EW 910 A	20608103650		Kerr-McGee	140	31.3	0.91	Amberjack P/L into Mars Oil P/L	yes	
2	Mars	Clovelly	GC 205 A	GC 205 A	20608113651	Genesis	ChevronTexaco	2,970	31.2	1.31	Amberjack P/L into Mars Oil P/L	yes	
Pipeline Total								3,110					
3a	LLS	St. James	SS 146 ssti	SS 149 A	2017711260Y		GOM O&G Properties	20	32.5	0.27	Whitecap P/L into Ship Shoal P/L	yes	
3b	LLS	St. James	SS 146 ssti	SS 154 E	20177112606		Century Exploration	550	30.2	0.35	Whitecap P/L into Ship Shoal P/L	yes	
4a	LLS	St. James	SS 169 ssti	SS 182 C (ChevTex)	2017711260B		ChevronTexaco	530	30.0	0.31	Whitecap P/L into Ship Shoal P/L	yes	
4b	LLS	St. James	SS 169 ssti	SS 182 C (Apache)	2017711260X		Apache Corp.	240	29.5	0.31	Whitecap P/L into Ship Shoal P/L	yes	
5	LLS	St. James	SS 208 F	SS 209 A	2017711260G		Unocal	560	34.1	0.45	Whitecap P/L into Ship Shoal P/L	yes	
6	LLS	St. James	SS 207 A	SS 207 A	2017711260E		Apache Corp.	520	32.5	0.40	Chevron Texaco P/L into Whitecap P/L into Ship Shoal P/L	yes	
7	LLS	St. James	SS 266 A	SS 266 A	20177122608		Unocal	270	37.3	0.44	Unocal P/L into Whitecap P/L into Ship Shoal P/L	yes	
8	LLS	St. James	ST 300 ssti	EW 826 A	20608102601		BP Expl. and Prod.	170	38.9	0.50	Cougar P/L into Whitecap P/L into Ship Shoal P/L	yes	
g	LLS	St. James	ST 300 A	ST 300 A	20177162600		Shell Offshore Inc.	1,300	41.9	0.29	Cougar P/L into Whitecap P/L into Ship Shoal P/L	yes	
10a	LLS	St. James	SM 268 A	SM 268 A	20177072602		Apache Corp.	690	36.7	0.08	Seagate P/L into Whitecap P/L into Ship Shoal P/L	no yes	Seagate
10b	LLS	St. James	SM 268 A	SM 288 A	20177072603		ChevronTexaco	150	39.8	0.11	Seagate P/L into Whitecap P/L into Ship Shoal P/L	no yes	Seagate
11	LLS	St. James	SS 129 A	SS 129 A	21177112600		Apache Corp.	140	38.1	0.15	Bayou City P/L into Whitecap P/L into Ship Shoal P/L	no yes	Bayou City
Pipeline Total								5,140					
12	HLS-SB	N/A	EC 321 A	EC 321 A	20177042202		Marathon Oil Co.	290	32.4	1.21	Marathon P/L into ExxonMobil P/L into ExxonMobil S. LA System	yes yes	
13	HLS-SB	N/A	EC 332 A	EC 332 A	20177042208		Noble Energy	150	40.7	0.32	Noble private line (no charge) into Marathon P/L into ExxonMobil P/L into ExxonMobil S. LA System	no yes yes	
14	HLS-SB	N/A	EC 338 A	EC 338 A	20177042205		W&T Offshore	190	40.8	0.49	Marathon P/L into ExxonMobil P/L into ExxonMobil S. LA System	yes yes	
15a	HLS-SB	N/A	EC 272 C	EC 272 C	20177042200		ChevronTexaco	60	28.3	0.50	ExxonMobil P/L into ExxonMobil S. LA System	yes	
15b	HLS-SB	N/A	EC 272 D	EC 272 D	20177042201		ChevronTexaco	70	27.8	0.50	ExxonMobil P/L into ExxonMobil S. LA System	yes	
16a	HLS-SB	N/A	SM 40 ssti	SM 39 A	20177072207		Westport Res. Corp.	120	35.6	0.14	ExxonMobil P/L into ExxonMobil S. LA System	yes	
16b	HLS-SB	N/A	SM 40 ssti	SM 27 A	20177072208		Taylor Energy Co.	180	39.0	0.08	ExxonMobil P/L into ExxonMobil S. LA System	yes	

Offer Pkg	Royalty Oil Type	Gulf Coast Market Center	Custody Transfer Point	Royalty Volume Metered at	MMS FMP No.	Common Industry Name	FMP Operator	Custody Transfer Point Royalty Volume (bbls/day)	Gravity (Note 1)	Sulfur % (Note 1)	Pipelines	Common Carrier(s)	Buy/Sell
16c	HLS-SB	N/A	SM 40 ssti	SM 40 JA	20177072209		Hunt Petroleum Inc.	780	36.1	0.15	ExxonMobil P/L into ExxonMobil S. LA System	yes	
17	HLS-SB	N/A	SM 69 B	SM 69 B	20177072206		Taylor Energy Co.	800	34.7	0.27	ExxonMobil P/L into ExxonMobil S. LA System	yes	
18	HLS-SB	N/A	VR 250 C	VR 250 C	20177052203		El Paso Production	100	33.9	0.16	ExxonMobil P/L into ExxonMobil S. LA System	yes	
							Pipeline Total	2,740					
19	HLS	Empire	VK 786 A	VK 786 A	20608165116	Petronius	ChevronTexaco	5,100	30.7	N/A	Petronius P/L into Odyssey P/L into Delta P/L	no yes	STUSCO
20	HLS	Empire	MP 310 A	MP 310 A	20177245115	Cheetah	Apache Corp.	670	33.1	N/A	Shell P/L into Odyssey P/L into Delta P/L	no yes	STUSCO
21	HLS	Empire	MP 259 A	MP 259 A	2017724511B		Devon Energy	290	39.6	N/A	(Devon private line into) Bud P/L into Odyssey P/L into Delta P/L	no no yes	STUSCO STUSCO
22	HLS	Empire	MP 296 B	MP 296 B	20177245113		GOM Shelf LLC	235	24.8	N/A	Odyssey P/L into Delta P/L	no yes	STUSCO
23	HLS	Empire	MP 296 C	MP 296 C	20177245114		GOM Shelf LLC	130	22.5	N/A	Odyssey P/L into Delta P/L	no yes	STUSCO
24	HLS	Empire	MP 283 A	MP 283 A	2017724511H	Chinook	ExxonMobil	650	43.5	N/A	Petronius P/L into Odyssey P/L into Delta P/L	no no yes	STUSCO STUSCO
25	HLS	Empire	MP 289 C	VK 956 A	20608165112	Ram-Powell	Shell Offshore Inc.	1,500	39.5	N/A	Odyssey P/L into Delta P/L	no yes	STUSCO
26a	HLS	Empire	MP 289i	MP 252 B	2017724511D		Shell Offshore Inc.	180	50.0	N/A	Odyssey P/L into Delta P/L	no yes	STUSCO
26b	HLS	Empire	MP 289i	MP 288 A	20177245110		Stone Energy	425	28.5	N/A	Odyssey P/L into Delta P/L	no yes	STUSCO
26c	HLS	Empire	MP 289 C	MP 289 C	20177245118		Apache Corp.	250	25.9	N/A	Odyssey P/L into Delta P/L	no yes	STUSCO
27a	HLS	Empire	MP 72	MP 61 A	20177255112		Pogo Producing Co.	1,650	29.5	N/A	Odyssey P/L into Delta P/L	no yes	STUSCO
27b	HLS	Empire	MP 72	MP 61 B	20177255113		Pogo Producing Co.	1,860	30.7	N/A	Odyssey P/L into Delta P/L	no yes	STUSCO
							Pipeline Total	12,940					
28	HLS	Empire	Grand Isle EM Terminal Inlet	Grand Isle EM Terminal Inlet	20170513700		ExxonMobil	3,200 (Note 2)	31.0	N/A	• ExxonMobil P/L to St. James or; • ChevronTexaco P/L to Empire	yes yes	
							Pipeline Total	3,200					
29	HLS	Empire	Empire (from ST 52 C)	ST 52 C	2017715360A		ChevronTexaco	605	37.4	N/A	N/A	yes	
30	HLS	Empire	ST 26 A	ST 26 A	2017715360C		Energy Partners	705	34.1	N/A	Energy Partners P/L into ChevronTexaco P/L into Fourchon into ChevronTexaco P/L	yes yes	

Offer Pkg	Royalty Oil Type	Gulf Coast Market Center	Custody Transfer Point	Royalty Volume Metered at	MMS FMP No.	Common Industry Name	FMP Operator	Custody Transfer Point Royalty Volume (bbls/day)	Gravity (Note 1)	Sulfur % (Note 1)	Pipelines	Common Carrier(s)	Buy/Sell
31	HLS	Empire	Empire (from ST 37 J)	ST 37 J	2017715360E		ChevronTexaco	2,730	33.9	N/A	N/A	yes	
32	HLS	Empire	ST 72 B	ST 72 B	2017715360F		Forest Oil Corp.	140	33.5	N/A	ChevronTexaco P/L into Fourchon into ChevronTexaco P/L	yes	
33	HLS	Empire	ST 130 AUX	ST 130 AUX	20177153604		ChevronTexaco	270	35.0	N/A	ChevronTexaco P/L into Fourchon into ChevronTexaco P/L	yes	
34	HLS	Empire	SS 69 A	SS 69 A	20177113600		Newfield	105	36.7	N/A	ChevronTexaco P/L into Fourchon into ChevronTexaco P/L	yes	
35	HLS	Empire	ST 52 A	ST 53 A	2017715360D		Houston Exploration	155	32.4	N/A	ChevronTexaco P/L into Fourchon into ChevronTexaco P/L	yes	
							Pipeline Total	4,710					
36	EI	St. James	PL 13 ssti	PL 10 B	20177132950		Apache Corp.	320	36.4	0.19	Eugene Island P/L System into Shell's South Louisiana System	yes yes	
37	EI	St. James	ST 11 ssti	PL 5 B	20177132952		Bois D'Arc	80	39.2	0.10	Eugene Island P/L System into Shell's South Louisiana System	yes yes	
							Pipeline Total	400					
38	Bonito	St. James	GB 426 A	GB 426 A	20608072600	Auger	Shell Offshore Inc.	4,860	32.7	1.24	• Auger P/L into Ship Shoal P/L or; • Auger P/L into Bonito P/L into Ship Shoal P/L or; • Auger P/L into Eugene Island P/L into Ship Shoal P/L	yes yes yes	
39	Bonito	St. James	SM 205 ssti	EI 397 A	2017710260P		W & T Offshore	350	34.4	unknown	Auger P/L into Ship Shoal P/L	yes	
							Pipeline Total	5,210					
40	Poseidon	Houma	EW 827ssti or Houma	ST 308 A	20177162951	Tarantula	Apache Corp.	1,600	26.5 (Note 4)	2.19	Poseidon P/L	no	see Ex. C
41	Poseidon	Houma	EI 346 A or Houma	EI 346 A	2017710295M	Tanzanite	Apache Corp.	320	31.1	1.24	Poseidon P/L	no	see Ex. C
42	Poseidon	Houma	SS 359 ssti or Houma	SS 358 A	2017712295K		ATP	200	54.5	unknown	Poseidon P/L	no	see Ex. C
43	Poseidon	Houma	GB 260 A or Houma	GB 260 A	20608072952	Bald Pate	Amerada Hess	1,430	32.1	1.14	Poseidon P/L	no	see Ex. C
44	Poseidon	Houma	SS 349 A or Houma	SS 349 A	20177122952	Mahogany	Apache Corp.	270	24.2	1.91	Poseidon P/L	no	see Ex. C
45a	Poseidon	Houma	EW 873 A or Houma	EW 873 A	20608102951	Lobster	Marathon	2,900 (Note 3)	22.4	2.96	Poseidon P/L	no	see Ex. C
45b	Poseidon	Houma	EW 873 A or Houma	EW 873 A (EW 1006)	20608102951		Marathon	90	22.4	2.96	Poseidon P/L		
46	Poseidon	Houma	GC 254 A or Houma	GC 254 A	20608112955	Allegheny	ENI Petroleum	1,960 (Note 3)	31.6	1.17	Manta Ray Gathering System into Poseidon P/L	no no	Manta Ray see Ex. C
47	Poseidon	Houma	ST 316 A or Houma	ST 316 A	20177162950		Kerr-McGee	2,450	35.5	0.47	Manta Ray Gathering System into Poseidon P/L	no no	Manta Ray see Ex. C
							Pipeline Total	11,220					

Offer Pkg	Royalty Oil Type	Gulf Coast Market Center	Custody Transfer Point	Royalty Volume Metered at	MMS FMP No.	Common Industry Name	FMP Operator	Custody Transfer Point Royalty Volume (bbls/day)	Gravity (Note 1)	Sulfur % (Note 1)	Pipelines	Common Carrier(s)	Buy/Sell
48	Santa Ynez	Los Angeles	Las Flores Canyon	Las Flores Canyon	20040833500		ExxonMobil	7,600	19.3	4.80	Plains All American P/L	yes	
							Pipeline Total	7,600					
49	Dos Cuadras	Los Angeles	Rincon Plant - Tailgate	Rincon Plant - Tailgate	20041113000		Plains E&P	800	24.5	1.10	Ellwood P/L	yes	
							Pipeline Total	800					
50	Santa Clara - Platform Gail	Los Angeles	Platform Grace	Platform Grace	20043111901		Venoco, Inc.	720	17.8	4.38	Ellwood P/L	yes	
							Pipeline Total	720					
							Grand Total	57,790					

The royalty volumes may vary as production resumes from the aftermath of Hurricane Ivan.

Pipeline and Buy/Sell Contacts:

- Noble: Jo Phillips (580-221-1351)
- Seagate: Johnny Dobecka (713-296-6639)
- Manta Ray: Brad Graves (832-676-5633)
- Bayou City: Joe Chauvin (713-881-3680)
- STUSCO for HLS properties, all deliveries at Empire: Brett Jones (713-277-5534)
- Poseidon: James Hostetler (303-820-0846)

- FMP: Facility Measurement Point
- N/A: Not Applicable
- HLS-SB: Heavy Louisiana Sweet-South Bend

Note 1: Gravity and Sulfur are not warranted. Gravity and Sulfur are measured at the Facility Measurement Point unless otherwise noted.

Note 2: Volume does not include Section 6 or Net Profit Share leases whose volumes will not be included in deliveries to purchaser.

Note 3: FMP contains a lease in Royalty Relief status whose volume will not be included in deliveries to purchaser.

Note 4: New Production. Actual volumes, gravity, and sulfur may vary significantly during ramp-up and upon full completion.

**Poseidon Oil Pipeline Company
Buy/Sell Rates**

Exhibit C

Poseidon contact: James Hostetler (303) 820-0846

Offer Pkg	Custody Transfer Point	Buy/Sell Rate to Houma (see Notes 1 & 2)	Maximum Daily Quantity (bbls/day)	Comments
40	EW 827 ssti	\$1.05	TBD	
41	EI 346 A	\$0.95	500	
42	SS 359 ssti	\$0.99	TBD	
43	GB 260 A	\$1.00	2,000	
44	SS 349 A	\$0.87	500	
45a	EW 873 A	\$0.95	4,000	
45b	EW 1006	\$1.35		
46	GC 254 A	\$0.8854	2,500	see Note 3
47	ST 316 A	\$0.82	TBD	see Note 3

Note 1: Contact MMS for additional costs per barrel for crude viscosities over 401 SUS at 60 deg. F.

Note 2: Pipeline loss costs of 0.05% of volume delivered to Poseidon when deliveries are at Houma, LA

Note 3: Buy/Sell from SS 332. Buy-sell to SS 332 is on Manta Ray Gathering.

Buy/Sell is adjusted after December 31, 2003 according to the following:

Price Adjustment = 0.138 Multiplied by (a/b-1)

a = Consumer Price Index for All Urban Consumers ("CPI") for the most recent calander quarter

b = The average CPI for 1998

The price adjustment will be added to or subtracted from \$0.87

MMS/MRM/RIK
Mail Stop 330B2

Exhibit D

, 2005

(Address)

Dear (Title, Name):

The Minerals Management Service (MMS) selected one or more offshore Federal leases in the Gulf of Mexico (GOM) and the Pacific Outer Continental Shelf, that you operate or are a working interest owner of, to be included in a Royalty In-Kind (RIK) program where we will take crude oil and condensate royalty production in-kind beginning April 1, 2005. This letter supersedes previous operator letters you received regarding oil royalties taken in-kind and is effective the first day of deliveries.

This letter provides the procedures and establishes the terms and conditions under which the United States (Lessor) will take crude oil royalties in-kind. Our authority is the Outer Continental Shelf Lands Act of 1953 (43 U.S.C. § 1353) and the royalty provisions contained in your Federal lease. For the purposes of this letter, royalty oil means the Federal lease oil and condensate production multiplied by the lease royalty rate. The volumes of royalty oil taken in-kind by the Lessor will reflect and be consistent with all grants of royalty relief.

Term

The Lessor will take all royalty oil in-kind from your properties flowing to the Facility Measurement Point(s) (FMP) listed in Enclosure 1, beginning April 1, 2005, and will continue taking royalties in-kind until we notify you that the in-kind status is terminated. We will provide Lessees and Operators with at least a 45-day prior written notice when terminating the in-kind status.

Royalty Oil Delivery

The delivery points for royalty oil produced from the properties are at the FMP or first interconnect into a main pipeline, as identified in Enclosure 1, which lists the properties approved to flow to the FMPs. It is your responsibility to ensure that royalty production from any of your properties that is actually flowing to the designated FMP on any given month will be delivered in-kind to the Lessor or our designee, with the exception of leases in royalty relief status, section 6 leases (unless otherwise noted), state leases, or net profit share leases. The Lessor or designee will take custody and responsibility for royalty oil at the delivery point.

You can be reimbursed for transportation and quality bank debits and/or quality differentials associated with royalty oil delivery to points identified in Enclosure 1 that are downstream of the FMP in accordance with the applicable MMS regulations. In addition, you must pay MMS for any quality bank credits received associated with royalty oil delivery to points identified in Enclosure 1 that are downstream of the FMP in accordance with the applicable MMS regulations. If gathering upstream of the FMP is approved by MMS, you may take this deduction, as well as other related fees, on the Report of Sales and Royalty Remittance (Form MMS-2014). You will be required to report quality bank debits and credits for properties where the quality bank is passed back to the operator/producer or where a quality differential exists on a pipeline where there is not an instituted quality bank, as allowed in applicable MMS regulations. Please use the applicable

GravCap tables to calculate the quality differential on pipelines where there is a not an instituted quality bank.

Royalty oil must be placed in marketable condition at no cost to the Lessor. Marketable condition means the condition generally acceptable to purchasers in the field or area. Questions on marketable condition should be directed to the Lessor's points of contact identified in this letter.

You must deliver all royalty oil from the selected leases, including royalty oil from newly producing wells on these leases. During the in-kind period, you will make your best effort to notify the Lessor's designated point of contact of new oil production flowing to the FMP identified in Enclosure 1. Royalty oil from such new properties may be added to the RIK volumes at the existing delivery points by the Lessor.

Fulfillment of Royalty Obligations

Delivering the accurate volume of royalty oil (taking into account the effects of normal operational imbalances) in accordance with the terms of this letter will satisfy in full the Lessee's royalty obligation to the Lessor.

For properties where the Lessee has applied for deepwater royalty relief, you may use the proposed royalty rate in the interim before MMS/Offshore Minerals Management (OMM) approves the reduction. If OMM does not approve the royalty rate reduction, the resulting imbalance will be resolved in the same manner as described below for imbalances not remedied within 90 days (see "Balancing Account and Imbalances.")

All rent or minimum royalty obligations remain the responsibility of the Lessee. If the Lessee owes minimum royalties, the Lessor will issue a bill including information supporting the calculation. The Lessee will have 30 days to review the bill and make payment or appeal the bill.

Lessor's Obligation to Take

We agree to take 100 percent of the royalty oil delivered to the delivery point for the account of the Lessor. We will try to minimize imbalances with you and the Lessees using reasonable and customary industry practices.

To facilitate timely and accurate custody transfer of royalty oil, we will communicate with you regarding arrangements to transfer the royalty oil from the delivery point. The Lessee will not incur royalty-related penalties because of the Lessor's failure to take delivery of oil volumes as communicated by the Operator.

Communication with Lessor

You must notify the Lessor in writing via facsimile (303-231-3846) or e-mail addressed to our mailbox (rik.project@mms.gov) of the daily royalty oil volumes (Avails) anticipated for the following month of production by the dates shown in Enclosure 2 for each of the properties identified in Enclosure 1. On this same schedule, for each of the properties, you will also provide any anticipated volume adjustments to resolve previous months' imbalances. The total volumes to be delivered to our purchaser at each of the delivery points must be indicated as a volume net of anticipated production plus or minus any adjustments. The Lessor understands that any such estimates are not warranties of actual deliveries but are provided to facilitate planning.

You must use reasonable efforts, consistent with industry practice, to inform the Lessor as soon as practical regarding significant changes to the information listed in Enclosure 1; for example, oil production levels, oil type, and/or royalty rates for the RIK contract properties, as well as if the property was sold and to whom it was sold.

Volume Reconciliation

You must provide the pipeline with the volume allocation for MMS' royalty oil separately from other take in-kind owners.

You must send all volume allocation schedules provided to pipeline companies that address royalty oil volumes at the delivery points in Enclosure 1 to MMS at the same time they are submitted to the pipeline companies.

You must provide the lease imbalance statement to MMS no later than 45 days after the end of the month of production, unless MMS approves an alternative timeframe for submitting the statement. We will monitor and reconcile royalty entitlements with the royalty oil deliveries you make. Reconciliation will involve communication between you and MMS. Upon project termination, you as the Operator, must issue a final oil imbalance statement. You will settle in accordance with the section "Balancing Account and Imbalances." Volume allocation schedules and lease imbalance statements must be submitted to the rik.project@mms.gov mailbox.

Operator Assignments

For leases which are being taken in-kind and which you are assigning to another operator, you will make the best reasonable effort to notify one of the Lessor's Points of Contact - New Lease Production listed below. In addition, any ending imbalance existing at the effective date of the assignment will be cashed out as described under "Balancing Account and Imbalances."

Balancing Account and Imbalances

You and MMS will jointly monitor imbalances between delivered and entitled volumes of royalty oil. You will take timely action to remedy such imbalances by adjusting the royalty oil volumes delivered to MMS. Such volume adjustments will be identified in your communication of royalty oil volumes anticipated before the month of production (see above under "Communication with Lessor.")

Imbalances will be remedied in the production month following the month that the imbalance is identified. Imbalances not remedied within 90 days of the end of the production month will be resolved as follows:

- Mutually agreed upon make-up delivery schedule.
- Cash out payment based on the contract price (at the delivery point) that MMS actually received (or would have received) from its Purchaser during the month or months that the imbalance occurred. Interest will accrue from 60 days after notification that cash out payment is due.

When the lease is no longer taken in-kind or after cessation of production from a lease, imbalances will be cashed out based on the MMS contract price (at the delivery point) for the last month the lease is taken in-kind. Interest will accrue starting 60 days after the final month of delivery.

Imbalances remaining at the time of any sale/assignment of properties identified in Enclosure 1 will be settled in compliance with your Purchase and Sale Agreement assignments.

Reporting

You must continue to report crude oil production on the Oil and Gas Operations Report (OGOR). You must also report transportation allowances and quality bank debits/credits on the Form MMS-2014 for any royalty volumes that are delivered downstream of the FMP or where the quality bank is passed back to the operator/producer under requirements specified in the MMS regulations and the MMS *Minerals Revenue Reporter Handbook*, please see our website at <http://www.mrm.mms.gov/ReportingServices/PDFDocs/RevenueHandbook.pdf>.

You will not be required to report royalties for the RIK properties listed in Enclosure 1 on the Form MMS-2014 for the term during which the Lessor takes royalty in-kind, with the exception of properties noted as royalty relief, section 6 (unless being taken in-kind), net profit share, and any retrograde or free condensate not delivered to the Lessor. You must continue to report these properties on the Form MMS-2014 per the MMS regulations. Reporting does not change for non-RIK leases.

Lessor's Designee

The Lessor may act by or through a duly authorized designee. Enclosure 1 provides MMS' designee at each custody transfer point. The designee will agree in writing to comply with all provisions of this letter that are applicable to the Lessor when the designee acts on our behalf. You are allowed, but not required, to direct communications to our designee. You are required to direct communications to us. We will provide written notification when the designee changes or is no longer authorized to act on our behalf for the purposes of this letter.

Audit

The Lessor may audit your records regarding all information relevant to volumes and qualities of royalty oil produced, measured, delivered, and if applicable, transported. We reserve the right to examine your financial records for the subject properties related to any transportation allowances and quality banks prior to the delivery point.

Lessees, Operators, and revenue payors must maintain all records of transactions mentioned in the above paragraph in accordance with the Federal Oil and Gas Royalty Simplification and Fairness Act of 1996 (Public Law 104-185 Section 115(f)).

Lessor's Point of Contact

Copies of all correspondence between the Operator and Lessor should be kept on file by the Operator. Points of contact for the Lessor are listed below:

- Volume Avails (Anticipated Volumes), Volume Allocation Schedules, and Operator Imbalance Statements:

Ms. Bernie Muniz

Telephone: 303-231-3854; Fax: 303-231-3846

E-mail: Bernadette.Muniz@mms.gov

- New Lease Production:

Ms. Crystel Edler (BON, POS, EI, MARS, HOOPS)

Telephone: 303-231-3126; Fax: 303-231-3846
E-mail: Crystal.Edler@mms.gov or

Mr. Richard Fantel (HLS)
Telephone: 303-231-3502; Fax: 303-231-3846
E-mail: Richard.Fantel@mms.gov or

Ms. Donna Hogan (LLS, HLS-SB & TXG)
Telephone: 303-231-3148; Fax: 303-231-3846
E-Mail: Donna.Hogan@mms.gov or

Mr. Allen Vigil (LLS, HLS-SB & TXG)
Telephone: 303-231-3098; Fax: 303-231-3846
E-Mail: Allen.Vigil@mms.gov

- Electronic Funds Transfer:

Mr. Joe Romero
Telephone: 303-231-3123; Fax: 303-231-3501
E-mail: Joseph.Romero@mms.gov

- Marketable Condition Questions:

Mr. Roman Geissel
Telephone: 303-231-3226; Fax: 303-231-3473
E-mail: Roman.Geissel@mms.gov

We acknowledge that you and the Lessees have given proper notice when using the telephone number or fax number provided to communicate with us. Any telephone communication regarding volumes must be confirmed by fax or e-mail no later than 1 business day after telephone communication occurs. We further agree to make arrangements to receive such communications regarding oil scheduling issues during normal business hours. You and the Lessees should communicate with one of the points of contact to answer any further questions.

The Paperwork Reduction Act

The OMB Control Number for this Dear Operator Letter is 1010-0126 with an expiration date of June 30, 2006. The PRA (44 U.S.C. 3501 et seq.) requires us to inform you that we collect this information to document fulfillment of royalty obligations on minerals removed from Federal lands. The MMS uses the information to maintain and audit lease accounts. Responses are mandatory (43 U.S.C. 1334). Proprietary information is protected in accordance with standards established by the Federal Oil and Gas Royalty Management Act of 1982 (30 U.S.C. 1733), the Freedom of Information Act (5 U.S.C. 552(1), (4)), and the Department regulations (43 CFR 2). An agency may not conduct or sponsor, and a person is not required to respond to, a collection of information unless it displays a currently valid OMB Control Number. Public reporting burden for this form is estimated to average one hour per response, including the time for reviewing instructions, gathering and maintaining data, and completing and reviewing the form. Direct comments regarding the burden estimate or any other aspect of this form to the Information Collection Clearance Officer, Minerals Management Service, Mail Stop 4230, 1849 C Street, NW., Washington, DC 20240.

Sincerely,

Gregory W. Smith
Deputy Program Manager
for Royalty In-Kind

2 Enclosures